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Pennsylvania Business Survey

December 1989

LITTLE IMPROVEMENT NOTED IN OCTOBER...

although recovery is yet to be derailed

Led by the service and retail trade industries, the Pennsylvania nonagricultural job picture brightened in October. Nonfarm jobs total 5,159,000, up 35,000 from September. Typically, jobs advance by just 22,000. October job totals represent an all-time high. Still, **growth in nonagricultural jobs so far this year, at 1.4 percent, is down from the 2.1 percent average from the previous five years.** Other indicators of economic activity suggest that growth continues to slow from its record-setting pace of 1987 and 1988.

There has been a noticeable reversal in the retail sector's performance in recent months. Although still below February's record reading, **retail trade job levels have advanced in each of the past two months after seasonal adjustment. Gains in August and September sales have been the strongest of the year. September's 8.1 percent sales gain from a year ago is the second largest gain since May 1988. A good portion of the strength is again attributable to the automotive sector as sales apparently surged prior to the introduction of higher-priced 1990 models.** Despite the recent uptick in automotive-type sales, up 9.2 percent in September from a year ago, trends so far this year show auto-related sales off 3.4 percent from the first nine months of 1988.

Beginning with this issue of the *Pennsylvania Business Survey*, trends in new vehicle (cars and light trucks) registrations will be tracked on a monthly basis. The data will be presented in tabular form showing the most recent monthly tally, a year-to-date reading, and a total for the past 12 months along with percent changes from the same readings a year ago. In September, the 69,296 new vehicle registrations recorded represent a gain of just 0.2 percent from September 1988. So far this year, 527,647 new vehicles have been registered in the Commonwealth, down 5.4 percent from the first three quarters of 1988. During the 12-month period ending in September, nearly 700,000 new registrations have been recorded, down 2.6 percent from a similar 12-month period ending in September 1988. There is a definite downtrend in year-to-date registrations growth going back to early 1988 (chart). **YTD registration totals have remained below a year ago every month this year, although the degree of the dropoff appears to be lessening.** These trends are similar to and support trends in auto-related retail sales. The

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

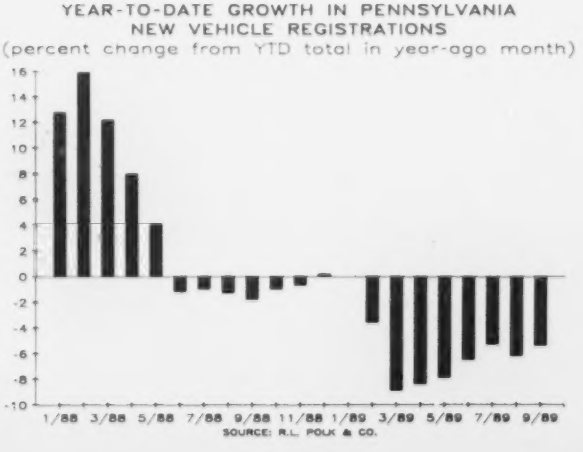
	September	Pct. chg.	Year-to-date	Pct. chg.
Total	6,853	8.1	59,007	3.7
Durables	2,527	8.0	22,053	0.6
Bldg. mat.		-12.1		- 4.9
Auto dlrs.		9.2		- 3.4
Furniture		11.1		17.6
Other		20.9		7.2
Nondurables	4,326	8.1	36,954	5.5
Gen. mdse.		2.3		0.5
Food/grocery		9.6		5.5
Gas		8.1		4.6
Apparel		3.7		5.7
Eat/drink		4.3		5.5
Drugs		15.7		11.7
Other		19.8		10.8
Seas. adj. total: September		7,034		
August		6,974		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
September	69,296	0.2
1989 YTD	527,647	-5.4
12-month total	698,098	-2.6

Source: R.L. Polk & Co.



new car market is off from year ago readings, but some improvement is evident in recent months. (Special thanks go to R.L. Polk & Co. of Detroit, Michigan for providing these data. The R.L. Polk staff has been especially helpful in recent months as plans were made to present this information in an appropriate fashion. The data are a welcome addition to the *PBS* and will enable us to better track economic activity in the Commonwealth, especially as it relates to spending patterns.)

Construction activity remains questionable. Although job levels remain at or near record highs, some indicators of the volume of activity continue to point down. For the year, new housing units authorized by permit are down 15 percent. A 5 percent decline is noted for nonresidential projects. The value of construction contract awards is down in October on a seasonally adjusted basis. So far this year, contracts are up 7.3 percent in value.

New Pennsylvania building permit authorizations (percent change from year ago)

	Oct.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,793	– 13.0	40,913	– 15.0
Nonresidential	1,945	2.7	19,554	– 5.0

Source: U.S. Dept. of Commerce, Bureau of the Census.

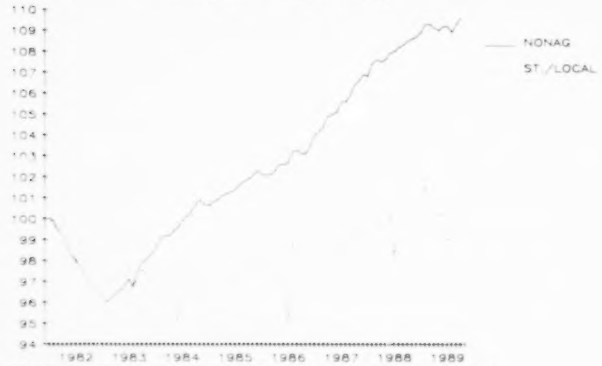
Somewhat surprisingly, the September gain in State and local government jobs is not reversed in October. In fact, job levels actually advanced by an additional 1,000 on a seasonally adjusted basis. While gains in State and local public sector employment picked up beginning in 1986/1987, growth over the past several years trails considerably the

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Sept.	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,124*	5,159	5,103	5,100*	5,113	5,059	111.7	112.0	110.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,071*	4,107	4,042	4,057*	4,067	4,002	125.9*	126.2	124.2
Mining	28	28	29	28	28	29	57.7*	57.3	59.8
Contract construction	258	257	250	243	243	236	132.1*	131.8	128.2
Transportation	150	152	151	148*	148	148	92.2*	92.2	91.8
Public Utilities	103*	103	104	104	103	105	102.8*	102.6	103.8
Wholesale trade	270*	270	271	269*	270	271	121.3*	121.7	122.2
Retail trade	885*	892	889	883	886	883	123.1	123.5	123.1
Finance, insurance & real estate	298	297	292	297	297	293	136.7*	136.7	134.6
Service & miscellaneous	1,390*	1,401	1,352	1,384*	1,391	1,342	160.4*	161.3	155.6
Federal government	140	139	139	140	140	140	109.5	109.0	109.3
State & local government	548*	569	563	561*	562	556	96.3*	96.4	95.4
Manufacturing									
No. of wage and salary jobs (thous.)	1,049*	1,048	1,059	1,043*	1,045	1,057	77.7*	77.9	78.8
Durable goods	593*	592	605	590	592	605	72.9*	73.1	74.7
Nondurable goods	456	455	455	452	454	453	85.0	85.2	85.1
Ave. wkly. hrs. worked by prod. workers	40.6*	40.5	41.2	40.4*	40.5	41.2	102.2*	102.5	104.2
Total wkly. person-hours worked (mils.)	29.4*	29.4	30.1	29.1*	29.2	29.9	75.9*	76.2	78.0
Total wkly. payroll (mil. dols.)	313.9*	313.4	311.2	310.1*	312.4	310.4	138.0*	139.1	138.1
Average hourly earnings (dollars)	10.66	10.68	10.36	10.63	10.69	10.37	181.7*	182.7	177.2
Average weekly earnings (dollars)	432.80	432.54	426.83	430.65	432.54	427.19	186.2*	187.0	184.7
Steel production (thous. tons)	831	883	1,187	n.a.	n.a.	n.a.	44.5	42.2	56.9
Industrial electric power sales (mil. kwh)	3,805	3,709	3,863	3,745	3,633	3,831	101.4	98.4	103.7
Mining									
Anthracite coal (thous. net tons)	322	373	364	294	292	304	60.3	59.8	62.2
Bituminous coal (thous. net tons)	6,220	7,059	5,876	6,037	6,455	5,287	85.6	91.5	75.0
Construction contracts awarded (mil. dols.)									
Total	845.5	920.6	757.0*	871.3	832.5	753.0*	270.8	258.8	234.1*
Residential building	444.5	383.7	385.1*	422.9	353.8	379.9*	300.5	251.4	270.0*
Nonresidential building	294.5	444.6	250.6*	313.2	363.6	213.5*	288.7	335.2	196.8*
Nonbuilding (utilities and public works)	106.4	92.4	124.3*	135.2	115.1	159.6*	186.5	158.8	220.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,625	5,598	5,514	5,571	5,528	5,443	115.9	115.0	113.3
Unemployed									
No. of persons (thous.)	237	259	294	243	274	310	60.5	68.2	77.4
Rate (percentage of labor force)	4.0	4.4	5.1						
Rate, seasonally adjusted				4.1	4.6	5.4			
Civilian labor force, no. of persons (thous.)	5,862	5,857	5,807	5,814	5,802	5,753	111.7	111.4	110.5
Initial claims for unemployment benefits	65,803	87,258	63,887	88,493	100,525	76,832	61.8	70.2	53.7

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month Ago*	*Year Ago*
	Sept.	*Oct.*	*Oct.*		
U.S. city average	125.0	125.6	120.2	0.5	4.5
Philadelphia	130.2	130.5	124.6	0.2	4.7
Pittsburgh	n.a.	121.7	116.3	n.a.	4.6

[1] Total includes workers on strike. * = figure revised & = figure for September 1988 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA NONAGRICULTURAL AND STATE/LOCAL GOVERNMENT JOB TRENDS
(Jan. 1982=100)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

advances in the nonfarm sector as a whole (chart). **Since 1983, state and local government employment is up just 3.2 percent in Pennsylvania. Nonfarm jobs are up 12.4 percent.**

In terms of jobs, the manufacturing sector turned in one of its better performances in recent months in October. Job levels are up on a seasonally adjusted basis, only the third gain this year. Job levels, however, remain below year-ago readings. Hours worked are up slightly. Earnings show some improvement in October, though recent trends suggest that they are not keeping up with the overall level of prices. Sales of electricity to industrial customers are off from September readings, as is average daily steel output from the Commonwealth's mills.

While the nonfarm job picture is somewhat upbeat, **deterioration is noted in October trends in resident employment and unemployment.** The jobless rate is up a seasonally adjusted 0.5 percentage point from September to stand at 4.6 percent. This ties the May reading for the highest of the year, but it is still down 0.8 percentage point from a year ago. The number of residents counted as employed is down by more than 40,000 on a seasonally adjusted basis. Compared to a year ago, employment is up by 84,000 residents. Some argue that the Commonwealth is operating at levels of full employment. As a result, they argue it is unrealistic to expect further significant improvement on the employment/unemployment front. **Given that considerable underemployment, a situation in which workers are not fully utilizing their productive skills, probably remains, it is debatable as to whether the current situation passes the full employment test.** At the least, demographic trends, most notably a slow-growing working-age population, are likely to give the impression of tight labor markets.

Taken as a whole, **October brings with it no convincing evidence of an imminent reversal of the recent downtrend in overall economic growth.** Indeed, the Pennsylvania index of leading economic indicators is down for the month (chart). Given the mounting evidence of a weakening national economy, only the most optimistic expect a turnaround in the near future. Year after year, the most important factor influencing Pennsylvania's economic performance is what happens nationwide. Until conditions improve in the U.S. as a whole, the likelihood of an uptrend in growth in Pennsylvania is minimal. Nonetheless, **recent trends and current conditions do not suggest that the weakness noted of late in Pennsylvania will usher in a recession or even an appreciable slump. The outlook calls for a continuation of recent trends which, although not overly impressive, still represent a continuation of the economic recovery which began in 1982/1983.**

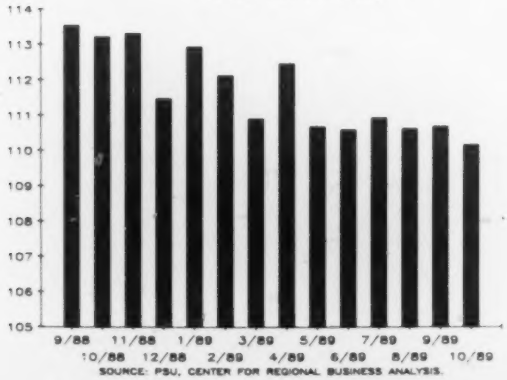
— William D. Anderson

Personal Income Report

Pennsylvania personal income trends through this year's second quarter (the most recent information available) are suprisingly strong in light of the generally sluggish pattern evident in most other indicators of the economy's health. Recent issues of the *Pennsylvania Business Survey* have highlighted the apparent weakness in factory, construction, and retail activity which has pulled down overall economic growth. While the growth in retail sales, housing permit authorizations, and manufacturing production (as measured by the Pennsylvania Manufacturing Activity Index) through the first half of this year is down compared to the previous five years, personal income gains are a bit stronger this year (chart).

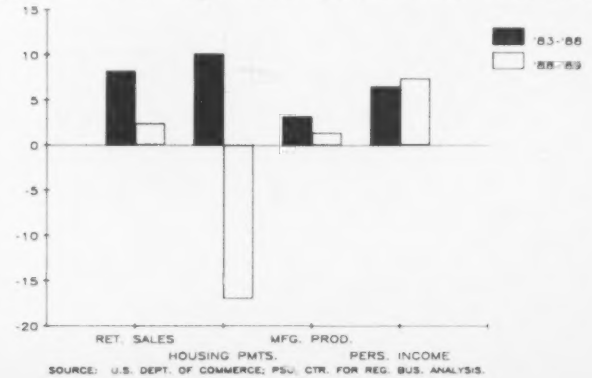
Personal income totals $207.4 billion in the April-June period of 1989 in Pennsylvania for a gain of 2.1 percent from

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

RECENT TRENDS IN SEVERAL INDICATORS
OF PENNSYLVANIA ECONOMIC ACTIVITY
(avg. ann. pct. chg., 1983-1988 and 1988-1989 YTD)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

Pennsylvania personal income
(seas. adj. ann. rate; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1989:IIQ	207,350	2.1	8.0	206,213	2.1	7.9
1988:IQ	203,109	1.2	7.2	201,893	1.1	7.0
1989 YTD	205,230	n.a.	7.6	204,053	n.a.	7.4

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis.

the previous quarter and 8 percent from a year ago. Growth is up from first quarter readings. A solid showing is also evident as it relates to nonfarm personal income. Income growth in 1988 and 1989 has been the strongest of the recovery period, dating back to the early 1980s. On the negative side, gains in real (inflation-adjusted) income are not quite as impressive. For the past three quarters, real income has grown at an average rate of 2.5 percent. In the four quarters before that, from 1987:IVQ-1988:IIIQ, real growth averaged above 3 percent.

Throughout the past several months, an attempt has been made in the *Survey* to downplay the likelihood of a recession in the near-term. The most recent trends in personal income provide further proof that the Pennsylvania economy is not on the brink of an appreciable slump.

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